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# EXPORT AEROSPACE NEWS

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# SECRETARY OF COMMERCE EVANS WITNESSES PURCHASE AGREEMENT BETWEEN BOEING AND VIETNAM AIRLINES

On December 10, Commerce Secretary Donald L. Evans witnessed the signing of a purchase agreement between The Boeing Company and Vietnam Airlines Corporation for the purchase of four Boeing 777 jetliners valued at \$680 million. The ceremony was organized by the Office of Aerospace and held at the Department of Commerce in Washington, D.C.

"This agreement represents a new era for both our countries, setting an example for continued cooperation, new opportunities and job growth in the airline, aviation, and tourism sectors," Secretary Evans said. "This is the first major commercial transaction between the United States and Vietnam since the approval by our countries of the historic U.S.-Vietnam Bilateral Trade Agreement. It marks the beginning of a partnership that has great promise."

Joining Secretary Evans in the ceremony were Permanent Deputy Prime Minister Nguyen Tan Dung, Minister of Trade Vu Khoan, Vietnam's Ambassador to the United States Nguyen Tam Chien, President and CEO of Vietnam Airlines Corporation, Mr. Nguyen Xuan Hien, the President and CEO of Boeing Commercial Airplanes, Alan Mulally and members of Congress.



Secretary of Commerce Donald L. Evans (fourth from left, rear) observes signing of agreement between representatives of Boeing and Vietnam Airlines on December 10, 2001, at the U.S. Department of Commerce in Washington, D.C.

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events, be sure to
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Aerospace
Website:

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Our website is
also a great
resource for
viewing trade
agreements and
statistics, or
linking to
industry
publications,
associations and
companies.

# Farnborough 2002

The 2000 Farnborough International Air Show confirmed its position as one of the leading air shows in the world. The first show of the new millennium broke all previous records as companies attending the event announced sales and contracts totaling \$52 billion, double the total in 1998. In addition, 1,287 companies from 30 countries exhibited in five halls. Over 300,000 visitors attended the trade and public days, and the show hosted 56 official country delegations.

Also in that same year, the United States Department of Commerce hosted an Aerospace Product Literature Center (APLC). Seventy-three U.S. companies participated in the APLC and received more than 3,300 leads. Many of the U.S. APLC companies from last year have already signed up to participate in this year's APLC.

The 2002 show promises unrivalled opportunities for the global aerospace industry to meet and do business once again. Don't miss out on the chance to be a part of this year's event. The deadline to participate in the APLC is June 21, 2002.

For more information about the APLC, contact Sean McAlister via telephone at (202) 482-6239, fax at (202) 482-3113 and by Email at sean\_mcalister@ita.doc.gov.

# **ASSISTANT SECRETARY POLICY MISSION TO EUROPE**

Assistant Secretary for Trade Development Linda Conlin led a policy mission to London, Brussels, Toulouse and Paris, February 25 to March 1, 2002. The delegation included Deputy Assistant Secretary for Transportation and Machinery Joseph H. Bogosian, Deputy Assistant Secretary for Service Industries, Tourism and Finance Douglas Baker and Office of Aerospace Director Audrey Smerkanich. The delegation met with government counterparts from the United Kingdom, France, the European Commission and the European Parliament. Aerospace issues

discussed during the visit included government subsidies, aircraft noise, and the European Aviation Safety Agency (EASA). U.S. and European aerospace and tourism industry representatives also met with the delegation throughout the week. The assistant secretary gave the keynote address concerning U.S.-EU trade relations and aerospace issues at USAIRE, an association of U.S. and European aerospace and aviation companies in France. For additional information contact Luke Rollins at luke\_rollins@ita.doc.gov.



Assistant Secretary of Commerce for Trade Development Linda M. Conlin (third from left) visits a Goodrich facility while in Toulouse, France in March 2002. Also in photo are (at far left) Laurie Ferris, USFCS Toulouse; (second from right) DAS Joseph H. Bogosian; and (far right) Audry Smerkanich, director of the ITA's Office of Aerospace.

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### OFFICE OF AEROSPACE GOALS FOR FY 2002

As part of an industry outreach effort by the new leadership in the Department of Commerce's International Trade Administration, the Office of Aerospace (along with other industry sector offices) has developed a business plan that identifies our key aerospace trade goals and priorities for fiscal year 2002. Our goals, at the top level, include:

- Promoting the international competitiveness of the U.S. aerospace industry by addressing unfair foreign government trade measures
- Strengthening the international legal framework underpinning free and fair trade in aerospace products
- Helping U.S. aerospace exporters win sales competitions
- Helping U.S. aerospace exporters reach

new markets and strengthening their presence in existing markets

- Addressing domestic issues affecting the export potential and competitiveness of the U.S. aerospace industry
- Ensuring a professional, efficient and productive work environment.

The business plan is a working document, with annual updates and reviews expected. We welcome your input and suggestions to ensure that the plan reflects the aerospace industry's trade and international marketing priorities. Your comments and questions can be sent to Audrey Smerkanich, Director, Office of Aerospace, at fax (202) 482-3113; phone (202) 482-1229; or e-mail audrey\_smerkanich@ita.doc.gov. We look forward to hearing from you.



The Office of
Aerospace has an
upcoming APLC
in which U.S.
aerospace companies
are invited to
participate:

Farnborough 2002
Aerospace
Product Literature
Center

July 22–28, 2002

Point of
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sean\_mcalister@
ita.doc.gov

### AEROSPACE TRADE MISSIONS IN THE WORKS

The Office of Aerospace is busy organizing executive aerospace trade missions to several areas of the world over the next 12 to 15 months. Mission program goals are to provide access to key government officials and potential business partners for U.S. aerospace firms desiring to expand their presence in-country.

Departmental approval has officially been granted for Assistant Secretary of Commerce for Trade Development Linda Conlin to lead an aerospace trade mission to Hanoi and Ho Chi Minh City, Vietnam, August 25–31, 2002. Vietnam offers substantial market opportunities for aerospace companies. An aerospace business development trade mission to South Africa, October 14–18, 2002, will

focus on projects at six regional and two international airports. Additional meetings are planned with Airports Company South Africa (ACSA) executives to discuss projects at the 10 major airports which the state-owned corporation controls. The Office of Aerospace is also exploring the possibility of leading aerospace trade missions to Australia (dates will most likely coincide with the Australian Air Show in February 2003) and to Eastern Europe in 2003. For more information about Vietnam or Australia, contact Mara Yachnin at mara\_yachnin@ita.doc.gov or (202) 482-6238; for South Africa, contact Karen Dubin at karen\_dubin@ita.doc.gov or (202) 482-3786; for Eastern Europe, contact Luke Rollins at luke\_rollins@ita.doc.gov or (202) 482-4230.

For information, industry links, and our newsletter on-line, check out the Office of Aerospace Web site at www.ita.doc.gov/aerospace.

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# THE OFFICE OF AEROSPACE

Helping U.S. aerospace companies succeed overseas in all of the following sub-sectors:

- → Commercial Aircraft
- → General and Business Aviation
- → Aircraft Parts and Supplies
- → Aircraft
  Maintenance
- → Helicopters
- → Satellites
- Commercial Space Launches
- Airport
  Infrastructure
- → Ground Support
- Air Traffic Control Systems
- → Air Navigation and GPS

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#### REVITALIZING THE BRATISLAVA INTERNATIONAL AIRPORT

The Office of Aerospace and the U.S. Embassy in Bratislava are assisting the Republic of Slovakia in its efforts to revitalize the Bratislava International Airport. Joseph Bogosian, Deputy Assistant Secretary for Transportation and Machinery; Audrey Smerkanich, director of the Office of Aerospace; and Sean McAlister, Office of Aerospace, met with Michal Balog, State Secretary at the Ministry of Transport, Post, and Telecommunications; and Jan Kassak, Director General at the Slovakia Airport Authority Administration, on April 30, 2002.

The Government of Slovakia would like to make Bratislava International Airport a hub for cargo and charter services, and compete with Vienna International Airport which is only an hour away by car. DAS Bogosian

discussed the various U.S. Government economic development programs stimulation initiatives that might assist the Republic of Slovakia with its objective to improve the economics of the Bratislava Examples of some programs by which the Office of Aerospace has promised to assist the Government of Slovakia include providing more information about developing an international free trade zone, strengthening the country's rail and maritime systems in and around the airport, and developing a regional aircraft maintenance facility. In addition, the Office of Aerospace will work with the Office of Tourism and the U.S. embassies in Vienna and Bratislava to assist the Slovak Republic in establishing a national tourism plan that includes the five international airports in the country.

## COMMERCE HOSTS PANEL ON FINANCE FOR AFRICA

On March 19, the Department of Commerce's Office of Aerospace hosted a panel presentation and roundtable discussion on the subject of financing of aerospace projects in Africa.

On the panel were seven financial experts representing the Ex/Im Bank, Overseas Private Investment Corporation, Trade and Development Agency, Small Business Administration, Department of Commerce's Office of Finance and Multilateral Development Bank Liaison Office, and the private sector financial consulting firm of Airline Capital Associates. Also on the panel was the South African Embassy's Economic Minister, who enthusiastically conveyed the message that South Africa is actively modernizing its aviation infrastructure and is eager to work with our U.S. aerospace companies towards that goal.

Opening the program, Joseph Bogosian, Deputy Assistant Secretary for Transportation and Machinery, reiterated the theme of financing as a critical tool for successfully exporting to emerging markets. Each of the eight panelists addressed the 40 assembled business and trade association executives, providing information

on how to navigate their respective networks to identify and secure funding for aerospace projects in Africa. The South African Embassy presented an overview of the many aviation infrastructure projects going on in-country and shared contact information for U.S. businesses interested in pursuing these initiatives in greater detail. Also participating via teleconference was Johan Van Rensburg, the commercial service officer responsible for the aerospace sector at the U.S. Embassy in Johannesburg.

Following the presentations was an hour of dialogue between the speakers and attendees, reflecting the significant African export experience found in both groups. Feedback generated in the weeks after the event suggests that many networking opportunities resulted from the three-hour program.

For more information on this event and additional Office of Aerospace trade promotion activities involving Africa, please contact Karen Dubin, at (202) 482-3786, or e-mail <code>karen\_dubin@ita.doc.gov</code>.

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# **Aerospace Commission Issues Recommendations**

In its second public meeting on February 12, again hosted by the Commerce Department, the Commission on the Future of the U.S. Aerospace Industry focused on issues of immediate concern to the industry. In mid-March, the Commission released an interim report with the following recommendations:

Aerospace Investment: Make research and experimentation tax credits permanent and on par with other sectors, implement shared savings for cost efficiencies and rationalization, provide contractor incentives through cost savings retention, and seek long-term resolution of the Foreign Sales Corporation issue.

**Export Control:** Accelerate implementation of the Defense Trade Security Initiative, update country risk surveys to modernize export licensing compliance practices, and modernize the defense loan guarantee program.

Air Traffic Capacity and Infrastructure: Create a multi-agency coordinating council with authority to implement an integrated plan for moving air capacity substantially ahead of anticipated demand; and ensure robust NASA and FAA research and development funding to continue current modernization efforts and provide critical building blocks for the future, such as small aircraft transportation systems, noise and emissions reduction, air traffic control automation, and CNS (communication, navigation, and surveillance).

The Commerce Department is assisting in the Commission's study of priority policy issues. Office of Aerospace staff are coordinating the Department's input and resources towards that effort, while leading the Commission's Global Issues Team, which explores aerospace global trade and export control issues. Contact Jon Montgomery, (202) 482-3353, jon\_montgomery@ita.doc.gov, or Evan Foster, (202) 482-6235, evan\_foster@ita. doc.gov for more details.



The Office of Aerospace
has several upcoming
Trade Missions
for 2002 and 2003
in which
U.S. aerospace
companies are invited
to participate:

#### Vietnam Trade Mission

Aug. 25–31, 2002 POC: Mara Yachnin (202) 482-6238

South Africa Trade Mission Oct. 13–18, 2002 POC: Karen Dubin (202) 482-3786

# Australian Trade Mission TBD 2003 POC: Mara Yachnin (202) 482-6238

Trade Mission
TBD 2003
POC: Luke Rollins
(202) 482-4230

# EASA LEGISLATION UPDATE

On April 9, 2002, the European Parliament approved legislation creating the European Aviation Safety Agency (EASA). approved legislation included amendments promoted by the U.S. government, such as changes to Article 9 and other amendments sought by the Federal Aviation Administration (FAA). The U.S. government was concerned that certain provisions, specifically Article 9, would have empowered the European Commission, a political institution, to have oversight of aircraft certification processes. Such oversight would allow for European international trade competitiveness concerns to influence what should be a strictly independent, technical process. The removal of trade language from the legislation is paramount to establishing the legitimacy of EASA's safety mandate.

The U.S. government is encouraging the European Council, a European Union institution comprised of member state

representatives, to approve the EASA legislation with the U.S. amendments. The European Council supported these amendments while establishing a common position with the European Parliament in April 2002. The Council has until July 2002 to approve the legislation.

Upon achieving a successful vote with Parliament, European Commission Transport Commissioner Madame de Palacio hopes to have EASA implemented within a year. The FAA will maintain contact with the European Commission, and the Office of Aerospace will continue to participate in interagency efforts to ensure U.S. industry interests are taken into account during this implementation process.

For additional information please contact Luke Rollins by e-mail at *luke\_rollins@ita.doc. gov.* 

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# EUROPEAN HUSHKIT REGULATION REPLACED BY NEW NOISE DIRECTIVE

The European Council approved legislation on March 26, 2002, repealing the European "hushkit" regulation and establishing new rules and procedures for aircraft noise-related restrictions at European Community airports. The EU directive (2002/30/EC) took force on March 28, 2002, and EU member states have 18 months to transpose the directive into national law.

Securing withdrawal of the hushkit regulation is the culmination of a three-and-a-half year effort to eliminate an unfair European trade barrier. The Office of Aerospace participated in bilateral negotiations with the EU throughout the dispute, as well as in the negotiation of aircraft noise-related policy guidelines endorsed last fall by all International Civil Aviation Organization (ICAO) members that facilitated withdrawal of the regulation.

Based on the repeal of the hushkit regulation, the United States may withdraw the Article 84 complaint about the hushkit regulation filed with the ICAO, formally ending the long-standing U.S.-EU hushkit dispute. The United States will monitor closely the implementation of the new EU directive and the consistency of EU member state actions with the ICAO resolution.

The new directive adopts some of the important principles of the ICAO "balanced approach" resolution on aircraft noise policies agreed to by the EU member states and all ICAO members in October 2001. However, it deviates in a number of ways from the letter and spirit of the ICAO resolution, raising concern that some EU member states may implement the replacement legislation in a manner that is harmful to U.S. interests.

The Office of Aerospace also is closely reviewing other environmental regulations, such as those concerning aircraft emissions, being considered by the European Commission that could have a harmful effect on U.S.-EU trade relations.

# INDIA TO WAIVE IMPORT TARIFF ON AIRCRAFT

On February 28, 2002, the Finance Secretary of India announced that the FY 2002 budget would reinstate a waiver on the import tariff for civil airplanes and helicopters. In the FY 2001 budget, the waiver was not

included as in previous years. The U.S. Embassy in New Delhi cited a demarche written by the Office of Aerospace as the leading U.S. government effort calling for a resumption of the waiver.

#### THE UNIDROIT CONVENTION

In association with the International Civil Aviation Organization (ICAO) and the International Institution for the Unification of Private Law (UNIDROIT), the U.S. Departments of State, Transportation, and Commerce, the FAA, and Exim Bank have been working to develop a draft Convention on mobile equipment and a draft aircraft protocol since the 1990s. These various interests worked together to establish modern international rules for secured financing of high-value mobile equipment (initially aircraft and aircraft engines, with follow-on protocols being established for railway rolling stock and space equipment). With the adoption and the ratification of the Convention, procedures and rules covering financing and leasing of mobile equipment will be standardized with some of the risks reduced through an international electronic registry in which all international interests in aircraft equipment would be registered. The registry would be accessible on a 24-hour, seven-day-a-week basis. Reductions in the cost of financing aircraft purchases are expected as a result of the registry.

These efforts culminated in the diplomatic conference, held in Cape Town, South Africa, on October 29-November 16, 2001. Of the 68 states and 14 international organizations participating in the Conference, 53 signed the final act of the Conference, and 20 signed the Convention on International Interests in Mobile Equipment and the Protocol to the Convention on Aircraft Equipment. Congress must ratify the Convention and the Protocol. No date for consideration of this treaty has been set.

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### DAS BOGOSIAN TO MOSCOW

Deputy Assistant Secretary (DAS) for Transportation and Machinery Joe Bogosian visited Moscow, March 11–15, accompanied by Office of Aerospace staff member Heather Pederson. There he met with Russian government counterparts and industry officials to discuss automotive, machinery, and aerospace trade issues, and to provide advocacy on behalf of several U.S. aerospace companies.

One key aerospace trade issue concerned investment restrictions outlined in the Federal Law on State Regulation of Aviation Development. Mr. Bogosian was encouraged by the Russians' positive response to the possibility of their raising their foreign aerospace investment limit from 25 to 50 percent. He also expressed continued concern about the 20 percent tariff on imports of aircraft and parts, a sensitive matter for Russia as it seeks to accede to the WTO. DAS Bogosian urged Russian officials to issue tenders for the modernization and expansion of Russia's air traffic management system and advocated on behalf of U.S. industry for participation in the tender process.

A key accomplishment during the trip was the establishment of the Russian-American Commercial Aerospace Working Group under the Russian-American Business Dialogue (RABD). DAS Bogosian, Russian Aerospace Agency Deputy Director General Voskoboynikov, and Richard Brody, Chairman of the



Boeing Vice President Sergei Kravchenko (left) with Commerce Department DAS Joseph Bogosian (right) at the Boeing Tech Center in Moscow, comparing Boeing 777 arch beams for the overhead luggage bins that Russian engineers improved through a unique manufacturing process developed at the center.



In Moscow this past March (front, L to R): Valery Voskoboynikov, deputy director general of the Russian Aviation and Space Agency; Commerce Department Deputy Assistant Secretary Joseph Bogosian; and Richard Brody, chairman, Aerospace Committee, American Chamber of Commerce.

American Chamber of Commerce's Aerospace Committee, signed a resolution that formalized the working group.

The working group will prepare a report on the status of Russian-American aerospace cooperation and a list of recommendations for the Presidents of Russia and the United States to discuss at the Summit scheduled for the end of May in St. Petersburg. These recommendations may address Russian aerospace industry foreign investment; possible U.S. participation in Russian air traffic management system modernization; commercial space launch cooperation; and removal of licensing, export control, and technology transfer trade and administrative barriers to aerospace cooperation. The the U.S.-Russia Business RABD is comprised of Council, the American Chamber of Commerce in Russia, the Russian Union of Industrialists and Entrepreneurs, and the Russian-American Business Council. aerospace companies that have questions or comments regarding the Russian aerospace market may contact Heather 482-6234 Pederson at (202)heather pederson@ita.doc.gov.

#### SUSPENSION OF ALIEN FLIGHT TRAINING CONCERNS GA INDUSTRY

On November 19, 2001, Congress enacted the Aviation and Transportation Security Act (Public Law 107-74) in response to the terrorist attacks on September 11. Section 113 requires new stringent background checks for aliens seeking training in the United States in the operation of any aircraft having a takeoff weight of 12,500 pounds or more.

Responsibility for processing alien applications falls undeer the U.S. Department of Justice (DOJ), which is attempting to develop a convenient, on-line application procedure that will link to various immigration and criminal databases. Although the law permits a maximum 45-day window for application processing, the DOJ is targeting for a turnaround time of 48 hours.

Unfortunately, the system is not yet in operation, and no applications from alien students to U.S. flight training schools have been approved since late 2001. The continuing suspension of alien applications is affecting general aviation aircraft sales as well as enrollments at flight training schools.

In response to aviation industry concerns, the DOJ granted advance consent for certain categories, including recurrent and flight training of qualified pilots possessing certificates and ratings recognized by the United States (see Federal Register Vol. 67, No. 27, 2/8/02). The DOJ hopes to have the new rules published and the system operating within the coming weeks. The rules, when released to the public, will be subject to a mandatory 30-day review period, during which time applications will be accepted by the web site but no approvals can be granted. The Office of Aerospace is in regular contact with the DOJ on this issue and is monitoring the situation. For further information, e-mail evan\_foster@ita.doc.gov.

#### U.S.-EU AIRCRAFT CONSULTATIONS

On January 17, the Office of Aerospace joined a U.S. Government interagency team led by the Office of the U.S. Trade Representative for consultations with the European Union regarding aircraft trade issues. The 1992 U.S.-EU Agreement on Trade in Large Civil Aircraft requires semi-annual consultations.

At the meeting, the United States and the EU exchanged transparency information on government-funded research and development programs. The U.S. team raised concerns about French and German local government funding for improved roads, airports, and plant facilities for the A380 and maintained that production supports are strictly prohibited by the bilateral agreement. At the conclusion of the consultations, the United States and the European Commission issued a joint statement whereby the United States and the EU agreed to explore ways and means to improve the functioning of the bilateral agreement, as well as to update the WTO Agreement on Trade in Civil Aircraft.



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